

*Government Orders*

If you happen to be, for instance, a household which relies on electricity for heating and cooking, the level of inflation, the way prices have increased for you recently has been significantly higher than if you happen to be a household that is using natural gas because natural gas prices have not increased nearly as much.

The other key point to make about the inflation figures is that the great bulk of the increase in inflation which has occurred in recent months have been increases related to government taxation. They are not really signs of pressure in the economy to which the government needs to respond because of the overheating of the economy.

To suggest we have no inflation in Canada might be a little bit extreme, but we certainly have no significant inflation which we need higher interest rates to counter. The higher interest rates which we have had in Canada recently have been related entirely to pressure on the Canadian dollar, a pressure which I think is a reflection of lack of confidence among investors throughout the world in the economic policies of this government.

**Hon. John McDermid (Minister of State (Finance and Privatization)):** Mr. Speaker, I want to ask the hon. member if in his criticism of the federal government he would not include the borrowings of the provincial governments and that the economic policies and stands that provincial governments take do not affect as well the confidence in the dollar and the subsequent change in interest rates.

Borrowing collectively from the provinces which is greater than the federal government and labour laws which frighten the hell out of business and investment in this country, which the Ontario government is determined to bring in even as the best advice it received told it not to—does the member not think these particular policies also affect the economic performance of this country?

Or does the hon. member just think it is the federal government alone and that in this federation that we have provinces do not have an important role to play in the confidence he talks about?

**Mr. Langdon:** Mr. Speaker, again I thank the minister for an interesting question because it certainly is the case that what provincial governments do has some effect on business confidence, consumer confidence, on the amount of disposable income that people have in their pockets to be able to spend.

In the House of Commons we have to concentrate on the levels of performance of the federal government. The levels of performance of the federal government as they affect provinces are probably more important than the provincial governments themselves.

• (1330 )

The minister talks about the fact that provincial governments have had to go out and borrow more money and he is certainly right in that. It has been true of provincial governments throughout the country. The reason that has had to take place is that the federal government has reduced very significantly its transfer payments to provincial governments. The promises which were made to the three provinces of British Columbia, Alberta and Ontario with respect to support for the Canada Assistance Program have been brutally broken by this government. The government promised when it brought the Canada Assistance Program in that it would pay 50 per cent of that program. Do you know what level it is paying in Ontario now? Just 33 per cent of the total.

The reason for that is that the government of this country has put the unemployment figures in Canada up significantly. It has reduced the capacity of people who are on unemployment to get unemployment insurance and has, therefore, forced provinces to pay the gap, pay the difference because only welfare is available.

For provinces like Ontario the consequence is a shortfall in payments from the federal government of \$4.5 billion this past year. Despite that the province of Ontario will be very close to its deficit figures, whereas the Government of Canada is \$7 billion higher than the deficit figures it projected for this year and over \$10 billion higher for the deficit figures it projects for next year. What we see here is a group of people bankrupting this country both financially and in terms of policy ideas.